

Pages 1 - 36

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

Before The Honorable Richard Seeborg, Judge

Gametek LLC,)	
)	
Plaintiff,)	
)	
VS.)	NOS. C 13-02546 RS
)	C 13-03089 RS
Zynga, Inc., et al.)	C 13-03472 RS
)	C 13-03493 RS
Defendants.)	
)	

San Francisco, California
Thursday, April 24, 2014

TRANSCRIPT OF PROCEEDINGS

APPEARANCES:

For Plaintiff:

CEPIP
1616 South Voss Road, Suite 125
Houston, Texas 77057

BY: JOHN EDMONDS, ESQ.

For Defendants Zynga
and Electronic Arts:

GIBSON, DUNN & CRUTCHER
333 South Grand Avenue
Los Angeles, California 90071

**BY: WAYNE BARSKY, ESQ.
ELLEN LIN, ESQ.**

For Defendants Funzio
and Crowdstar:

KILPATRICK, TOWNSEND & STOCKTON LLP
Two Embarcadero Center, 8th Floor
San Francisco, California 94111

BY: STEVEN D. MOORE, ESQ.

Reported By:

James C. Pence, RMR, CRR, CSR No. 13059
Official Court Reporter

Thursday - April 24, 2014

1:32 p.m.

P R O C E E D I N G S

---000---

THE CLERK: C 13-2546, Gametek versus Zynga and all related matters.

Counsel, please state your appearances.

MR. EDMONDS: Good afternoon, Your Honor. John Edmonds here on behalf of plaintiff Gametek.

THE COURT: Good afternoon.

MR. BARSKY: Good afternoon, Your Honor. Wayne Barsky with Ellen Lin, L-i-n, Gibson Dunn, on behalf of Electronic Arts and Zynga.

THE COURT: Good afternoon.

MR. MOORE: Good afternoon, Your Honor. Steve Moore with Kilpatrick Townsend on behalf of the Crowdstar and Funzio defendants.

THE COURT: Good afternoon.

MR. MOORE: Thank you.

THE COURT: This matter is on the calendar for a motion for judgment on the pleadings under Rule 12(c). While the motion papers are -- have some differences, essentially it's a similar motion brought by the four defendants at least as I understand it.

MR. BARSKY: Yes, sir.

THE COURT: The question here -- the big question is

1 whether or not the '455 patent is invalid for non-patentable
2 subject matter, whether or not there's an abstract idea that
3 doesn't rise to the level of patentable, or is it the
4 application of that abstract idea which theoretically could be
5 subject to the issuance of a patent.

6 I recognize the presumption in favor of patent validity.
7 I know that that is an important principle, and I also
8 recognize the high bar that the defendants have to transcend in
9 the form of the clear and convincing standard, and I also
10 recognize, as *Ultramercial* says, it's certainly not typical to
11 decide a question on judgment on the pleadings under Section
12 101, but I think it's appropriate here.

13 From the review of the papers that I've done, it simply
14 doesn't appear to me that the '455 patent advances anything
15 beyond a non-patentable abstract idea. So we can go into
16 obviously all the factors, but that's -- I think you're
17 entitled to know my tentative view, having spent some time with
18 the papers.

19 So in light of that tentative, I'll look to you first, Mr.
20 Edmonds, to begin the discussion.

21 **MR. EDMONDS:** Thank you, Your Honor.

22 The -- pardon me. The '455 patent, in particular Claims
23 15- -- or -- well, the '455 patent -- they really discuss Claim
24 1, but there have been some assertions about --

25 **THE COURT:** Well, 15 and 7 -- 15 and 17 -- you

1 indicate in your papers that you think there are some
2 distinctions that are of consequence to this question, but then
3 I didn't see why in your papers.

4 **MR. EDMONDS:** They are -- 15 and 17 are narrower in
5 the respect that they don't have the demographic information
6 limitation. In any event, I was just saying when we talk about
7 a patent, obviously we have to talk about what is claimed.

8 **THE COURT:** Right.

9 **MR. EDMONDS:** So to start with, the -- what's claimed
10 by the '455 patent is, as we see it, a technological
11 improvement in computer gaming, in particular video gaming. It
12 has specific implementations of a program computer. It's not
13 merely an abstract idea. It's, if anything -- the defendants
14 have asserted that you have to find an abstract idea somewhere
15 in the claims.

16 We don't read the case law that way, but if -- to the
17 extent the Court has found there's an abstract idea, this would
18 be an application of that idea, not the abstract idea itself.
19 Abstract ideas themselves -- abstract ideas, if you look to the
20 guidance provided by the Patent Office, for example, in the
21 Manual of Patent Examining Procedure, are things like business
22 methods like a method of hedging risk like, for example, human
23 relations.

24 And if you look to the case law where claims have been
25 invalidated under 101 as an abstract idea, that is the

1 predominant theme.

2 **THE COURT:** Well, hedging risk is *Prometheus* --
3 *Prometheus* case, I believe, isn't it? Or it's *Pilski*. *Pilski*
4 is the --

5 **MR. EDMONDS:** *Bilski*.

6 **THE COURT:** *Bilski* is the hedging risk.

7 How is this idea really different than that kind of idea?
8 I mean, you're talking -- the idea as I understand it is the
9 concept that while play is underway, you are able to buy object
10 items -- you, the player -- without disrupting the play. Is
11 that fair?

12 **MR. EDMONDS:** Well, there's a whole dispute in this
13 case over what "interrupting" means. So I hate to use words --
14 I hate to substitute something for "interrupting."

15 **THE COURT:** Well -- and we haven't -- I haven't
16 construed the claims, and I take your construction for purposes
17 of this -- this motion, although I don't think -- the only
18 issue -- the only claim term that indicates -- indicated to me
19 that needs to be construed doesn't really go to this question,
20 but go ahead.

21 **MR. EDMONDS:** The -- I think the case that provides
22 better guidance for the Court is *Ultramercial*, and *Ultramercial*
23 warns against taking a claim, oversimplifying it, and trying
24 to -- when you -- as some judges have said, if you try to go
25 looking for an abstraction, you will tend to find one.

1 In *Ultramercial*, the claims had to do with a method of
2 improved banner ads where you would offer some kind of
3 copyrighted material to someone, and if they look at the
4 advertisement, the advertisement will pay for the copyrighted
5 material.

6 And the way that was looked at by Judge -- by Judges Rader
7 and Lourie, who have somewhat different approaches under
8 *Bilski* -- the way -- that claim was found valid by both, and it
9 was looked at -- looking at all the real limitations of the
10 claim.

11 Now, we've mapped out 12 different -- what -- I mean,
12 there are lots of limitations in the claim, but really 12
13 different steps as to Claim 1 that would be looked at. So --

14 **THE COURT:** But, you know, that -- in your papers, you
15 talk often about "We have 12 steps, 12 steps," but the number
16 doesn't mean anything. That's not of any particular
17 consequence.

18 In the steps themselves, it appears to me you're simply
19 breaking down some obvious points along the path of -- of
20 purchase. I mean, it doesn't -- you don't get anywhere just by
21 parsing them out and putting -- putting different numbers next
22 to them.

23 So I didn't -- I know in your papers you keep talking
24 about, "Well, this is" -- "this shows how involved and specific
25 this process is," but it's really not a whole lot there. It's

1 all just kind of the standard course of a purchase.

2 **MR. EDMONDS:** Well, we respectfully disagree,
3 Your Honor, and I think that they -- it flows into the task for
4 *Mayo* and where -- whether they focus on preemption, and you --
5 if you've identified what the Court believes is an abstract
6 idea, you basically use the language that the defendants have
7 used.

8 If you identify that as the abstract idea and believe
9 that's the abstract idea, then you look to see whether it would
10 preempt all applications of that abstract idea, whether they're
11 meaningful limitations --

12 **THE COURT:** Right.

13 **MR. EDMONDS:** -- or differentiated.

14 So if you took the -- and said, "Okay. Well, the abstract
15 idea is" -- I think the Court's interpreted it as saying
16 acquiring objects -- purchasing objects in a game without
17 interrupting it, and then you'd say, "Well, does it preempt all
18 applications of that?" No, it doesn't. That's why you need to
19 look at these other limitations in the claim.

20 In the first instance, the gaming action is controlled by
21 a computer. So if you don't have the entire thing -- if it's
22 not controlled by a computer, then it's -- you haven't
23 preempted that. You haven't preempted the tracking activity
24 limitation, which is a significant limitation, and that's
25 not -- that's not just pre-solution activity.

1 You could offer objects in a game without making them --
2 that offer dependent upon the tracked activity, and because you
3 can do that, there's no way you can say that it preempts that,
4 and so you'd have to say that tracked activity is just simply
5 something that's inherent or in making an offer to someone, but
6 it's not.

7 You could, for example, just offer everything to them.
8 You can say our -- like I walk into Wal-Mart. Everything is
9 for sale in Wal-Mart. There's no tracked activity limitation
10 on what I purchase at Wal-Mart. In this application, though,
11 that -- the offer to purchase the game is -- or the object is
12 limited in part by the tracked activity of the user. So you
13 can't say that's preempted, and I don't think you can say that
14 that's just inherent in making an offer because it's not.

15 In addition, you have -- you have -- it's a video game
16 because it's something that has to be -- it's controlled by a
17 computer. You have to have something displayed in a computer,
18 and that's not something that is inherent, either.

19 **THE COURT:** Is the '455 patent limited to video games?

20 **MR. EDMONDS:** I think that the -- yeah. So as
21 claimed, yes. Yes. I think that the distinction where the
22 defendants have somewhat taken the Court astray is the '455
23 patent has a significant amount of unclaimed subject matter
24 where the patentee was talking about just gaming in general, an
25 advantage in life like in Traffic Court or something like that.

1 He tried to get claims on that and wasn't able to.

2 So as the claims were narrowed over the course of years
3 and over the course of all these different office actions, it
4 was limited to a game, and now you have a game that's
5 controlled by a computer, and you have something where the
6 price is displayed, and then the object is incorporated into
7 the game.

8 You can certainly have a game where you don't incorporate
9 the game object into the game; for example, the prior art that
10 was cited. I think for the Court, what would be informative to
11 the Court -- and it's one of the exhibits -- is the notice of
12 allowance for these claims in which the Examiner goes through
13 the prior art and talks about differences between these claims
14 and the prior art.

15 If these claims preempted an abstract concept of making a
16 purchase in a game without interrupting, it wouldn't have been
17 allowed over the prior art. So -- and that's -- that's the
18 note -- the notice of allowance. It's one of the exhibits
19 to -- to our -- to our response.

20 So I think where -- when the Court -- if you identify the
21 abstract idea like that, then you have to say, "Does it
22 preempt?" No, it just simply does not. There are many ways to
23 play a game without -- without running afoul of the abstract
24 ideas the Court has identified. There are many ways to play an
25 electronic game without preempting the abstract ideas the Court

1 has identified.

2 And unless you can make that leap and say that either it's
3 not preempted or those are just meaningless limitations near
4 pre-solution activity, then the claims must be held valid.

5 **THE COURT:** Can you talk to me for a moment about --
6 you point to in the preamble the reference to use of a program
7 computer. You seem to think that's significant and -- but when
8 I've looked at the case law -- and you're saying it's different
9 than the case law that has essentially said just throwing in
10 "Use a computer to do this" doesn't add anything.

11 But you said, "Well, our situation is different than in
12 those cases," but I don't understand why because all it says is
13 "use of a program computer," and there's nothing about, you
14 know, utilizing an algorithm or something that says anything
15 beyond "You can do this with a computer" --

16 **MR. EDMONDS:** Well --

17 **THE COURT:** -- "if you want to."

18 **MR. EDMONDS:** -- an algorithm certainly isn't
19 required. In fact, in the *Diehr* case --

20 **THE COURT:** No. No. I use that by way of example.

21 **MR. EDMONDS:** Right. So -- yeah. I mean, the case
22 law says if I just have a claim and I had a computer and say,
23 "Apply it," then that's not enough --

24 **THE COURT:** Right.

25 **MR. EDMONDS:** -- or just having the word "computer" in

1 there is not enough. Here, the difference is that -- or some
2 of the differences are:

3 1. A computer is necessary to effectuating the invention
4 as claimed. It's necessary for the efficacy of the invention.

5 **THE COURT:** How do I know that?

6 **MR. EDMONDS:** Well, because you look at the claim
7 and -- for example, a program computer affects the step of
8 controlling the gaming action. There's -- you can't --

9 **THE COURT:** If I look at all the rest of the -- of
10 what's claimed and that could be done simply by a person with a
11 pad and a pencil -- it may take longer -- why can't you just
12 say, "Well, the fact that we threw in the word 'computer'" --
13 "therefore, that's" -- "that's a limitation that reflects that
14 it can only be" -- "it can only be performed with a computer"?
15 You can't just -- just putting the word "computer" in there
16 doesn't -- doesn't achieve that.

17 **MR. EDMONDS:** A person with a pen or in their head
18 could keep track of an account given -- a person in their head
19 or with their hand could track an activity of someone in a
20 game. What we're focusing on is that this is actually
21 controlling the gaming action for a user. A computer is
22 required to do that. A human can't control someone else's
23 gaming action. You can't do that with pen or paper.

24 In addition, the displaying step -- you're displaying
25 something in a game environment. That requires a computer. In

1 addition, these without-interrupting steps -- that's something
2 that requires a computer because it's a realtime transaction.
3 And lastly, incorporating the game object into the game -- that
4 really has to do with what in today's parlance we call virtual
5 goods, but it's something -- it's actually incorporated into
6 the game, and it takes a computerized game to do that.

7 So that's something that's also -- a computer is required,
8 and those are things that in part differentiate this from cases
9 where -- or from things where they said -- and I guess what a
10 lot of those -- those things is you'd have, you know, hedging
11 or trading activities and -- that have been done for a very
12 long time, and somebody said, "Let's do it with a computer. We
13 can speed it up."

14 And courts have said, "That's not good enough. You just
15 had a computer apply it." This is an area in the -- there are
16 lots of patents in the gaming area. There are lots of patents
17 in the video gaming area. This isn't just some area where, as
18 we got computers, we said, "Oh, let's just speed it up."

19 I think that an adverse ruling here, I think, would be --
20 if upheld, would be damaging in the field of gaming because
21 there are lots of patents, and if you took almost any game and
22 you tried to reduce it to an abstract idea, I think you could
23 possibly do that, and you can go down this same path, and I
24 don't think that that's a proper analysis.

25 With respect to --

1 **THE COURT:** Well, let me just stop you there.

2 **MR. EDMONDS:** Yeah.

3 **THE COURT:** You may be right on the effect of the
4 decision once -- if it's upheld or what have you, but why is
5 that necessarily wrong? I mean, I don't understand -- your
6 parade of horrors is "Oh, there's some patents out there
7 that" -- you know, "There are plenty of patents in this area."
8 That -- that may be a fact, but that doesn't mean that
9 therefore we say, "Oh, can't go there because there are plenty
10 of patents out there."

11 **MR. EDMONDS:** The distinction I was inartfully trying
12 to make is that -- and the courts have made a distinction -- is
13 whether you have an area where it's a traditional area of
14 technology, an area where people have traditionally gotten
15 patents, and electronic gaming and video gaming fall under that
16 qualification.

17 It's not -- it's not trading commodities. It's not --
18 it's not hedging risk or things like that, and I think that's
19 the difference I was trying to make, and I think that plays
20 into the comment I just made in the sense that a computer is
21 necessary to effectuate this computerized gaming invention
22 because there are steps that can't be performed by hand and
23 head, as we've set forth, and I think if the Court's not --

24 **THE COURT:** Well, let me stop you there.

25 **MR. EDMONDS:** Yeah.

1 **THE COURT:** What are those steps? I mean, I
2 understand that it makes -- it's a lot easier to use a
3 computer. I understand that, and there's speed issues and
4 other things, but what are the steps that you say could only be
5 performed by a computer?

6 **MR. EDMONDS:** All right. In the first instance, the
7 computer controls the gaming action for the users. That just
8 doesn't -- that doesn't happen outside the context of a
9 computer. Even a referee who's refereeing a game on a field
10 doesn't control the gaming action. He just -- he or she just
11 referees the gaming action. So that -- that's --

12 **THE COURT:** So I guess I'm not entirely -- I don't
13 entirely even understand that. It's that the controls -- the
14 game -- are you saying anything other than the games are run on
15 a computer? I mean, I'm not sure what you're saying in terms
16 of saying "controlling the gaming action."

17 **MR. EDMONDS:** I'm saying that this -- that the games
18 for these claims --

19 **THE COURT:** Right.

20 **MR. EDMONDS:** -- can only be played on a computer. If
21 I'm not on a computer, if it's not a computerized game --

22 **THE COURT:** Right.

23 **MR. EDMONDS:** -- computer game, then it's not
24 controlled --

25 **THE COURT:** Okay.

1 **MR. EDMONDS:** -- by a computer. So it's limited to a
2 specific application of games, and a computer is necessary to
3 effect that.

4 **THE COURT:** Okay. So with respect to the specific
5 steps, tell me which ones can only be controlled by -- or can
6 only be computer-programmed.

7 **MR. EDMONDS:** Right. So -- and maybe we're talking --
8 on the controlling, what I'm saying is the computer controls
9 game play.

10 **THE COURT:** I understand that point --

11 **MR. EDMONDS:** Okay. Yeah.

12 **THE COURT:** -- but then you also were saying --

13 **MR. EDMONDS:** Right.

14 **THE COURT:** -- that the steps you delineated can only
15 be performed by a computer.

16 **MR. EDMONDS:** Right. So in only a computerized game
17 could you display in the game environment the purchase price
18 for the game object. A computer is required to do that because
19 the game environment is -- you can only have a game environment
20 in an electronic or video game like this.

21 In addition, the without-interrupting steps where you have
22 that offer to purchase without interrupting the gaming action
23 and supplying without interrupting the gaming action can only
24 be done realtime. As the patent describes it, the reason you
25 set up these accounts is so you don't have the interruption

1 that would be typical with processing in the prior art. So you
2 can't have a realtime transaction like that without having --
3 without a computerized game here. It's necessary to do that.

4 And then lastly, incorporating the game object into the
5 game -- only -- only a video game -- a computerized game is
6 capable of doing that. It's necessary to do that. Those are
7 the elements that cannot be done by hand. They can't be done
8 in someone's head. They have to be effectuated by a computer,
9 or the claim itself is not effectuated.

10 **THE COURT:** Going back for a moment -- I know you say
11 that the wrong way to look at this is to -- is to rely upon
12 what is identified as the abstract idea, but let's assume that
13 there is this abstract idea that's reflected in the '455
14 patent.

15 And so going from that analysis point, what is -- how
16 would you characterize the inventive concept that this patent
17 adds to that idea? What is it if you were to characterize it?

18 **MR. EDMONDS:** Well, yeah. I don't -- and I think
19 that's where *Ultramercial* is instructive in that they talk --
20 the opinion goes through the various steps of the claims and
21 looks at it in its totality. So I don't know. That's why when
22 we laid out the 12 steps --

23 **THE COURT:** What I'm asking you --

24 **MR. EDMONDS:** Yeah.

25 **THE COURT:** -- is I want you to tell me in whatever

1 words you think are appropriate what is the inventive concept
2 here. What is it?

3 **MR. EDMONDS:** Well, the inventive concept is the
4 totality of the claim and what distinguishes over the prior
5 art, and I don't know a better way to articulate that than to
6 go through the 12 steps that are on Page 2 of our brief.

7 **THE COURT:** Well -- so the inventive concept is the 12
8 steps?

9 **MR. EDMONDS:** It is the totality of those 12 steps --

10 **THE COURT:** Okay.

11 **MR. EDMONDS:** -- just like in *Ulramercial*. I think
12 when you try to pick apart a claim and say -- and then frankly,
13 the analysis starts to delve into where you're really
14 looking -- you're delving into more of a 103 analysis when
15 you're saying that "Identify to me one element of this claim
16 that's so novel it distinguishes it from all prior art."

17 **THE COURT:** But don't you think if your -- even if
18 your basic answer is the inventive concept is represented by
19 these 12 steps, don't you think you should be able to then
20 provide a characterization of what those 12 steps result in?

21 **MR. EDMONDS:** Well --

22 **THE COURT:** In other words, I'm not disputing that
23 you -- your premise that you have to look at this holistically,
24 and that's -- I don't have a problem with that notion, but I do
25 think that you can both point to the 12 steps and then tell me

1 why those 12 steps represent some inventive concept.

2 And so I don't disagree with your construct, but I still
3 would like to have some characterization from you as to what
4 those 12 steps all amount to.

5 **MR. EDMONDS:** Well, one thing I'd refer the Court is
6 the comments of the Examiner himself who allowed the claims --

7 **THE COURT:** Okay. Go ahead.

8 **MR. EDMONDS:** -- a neutral observer, if you will, who
9 said, "The instant invention is distinguished from the prior
10 art singly or in combination as the system tracks a user's
11 gaming actions, the system determines whether a user is
12 eligible to purchase a game object based on the user's account
13 balance, the system presents an offer to the user to
14 purchase..." and keeps saying "the system" because it's a
15 computer system doing it.

16 "The system" -- and that's his words. "The system
17 presents an offer to the user to purchase the game object based
18 at least on tracked gaming action or game activity, the user
19 purchases and is supplied with the game object without
20 interrupting the gaming action, and the object is incorporated
21 into the game." That's a narrative way --

22 **THE COURT:** Okay.

23 **MR. EDMONDS:** -- of saying it.

24 **THE COURT:** Most of those steps are pretty mechanical
25 data retrieval and then data organization. There is no -- and

1 I agree with you that it doesn't have to be an algorithm, and
2 I'm not suggesting that it does, but there's nothing
3 particularly significant about the computer in those steps.

4 I mean, you know, determining whether or not there's an
5 account balance that would be sufficient for the game player to
6 purchase a game item is -- is a purely mathematical process
7 that a human being could do, and -- in some of the other steps
8 as well.

9 I hear your point that sort of doing this
10 synergistically -- it makes much more sense and indeed in your
11 position can only be done on a computer, but the actual steps
12 that the computer has embarked upon are really nothing but data
13 collection and organization from what I can see.

14 **MR. EDMONDS:** Well, I respectfully disagree, and I
15 think the Court has focused on the account, which I think is --
16 we're not claiming the account is the -- you asked for the
17 claim of novelty, if you will, and I've already said that
18 somebody could keep an account in their head, and I understand
19 that an account is something that would go along with a
20 purchase. That's fair enough.

21 But I think the things to look at are the things that I
22 was focusing on, which is that you're controlling the game.
23 You're controlling the entire game. You're tracking activity
24 in the game. As I mentioned, this doesn't preempt selling game
25 objects. The tracked activity limitation is a limitation that

1 distinguishes over the prior art.

2 So, you know, I think just looking at the Examiner's
3 comments and looking at the prior art, if you say there's
4 nothing novel or nothing that's not pre-solution that's not
5 necessary and inherent in there, that is a point of novelty.

6 In addition, the fact that you incorporate the game object
7 into the game is something that just simply a lot of this prior
8 art just didn't do. That's another point of novelty. I mean,
9 I think there are a lot of things here where you can say you
10 can have a game where you sell things to someone and it
11 doesn't -- it doesn't interrupt the gaming action, and there's
12 still -- it still doesn't preempt that happening. It takes
13 these further limitations.

14 In particular, I focus it on the tracked activity
15 limitation and the incorporating the game object into the game
16 and the fact that this is computer-controlled gaming. The
17 entire game is controlled by the computer, but I don't see how
18 the Court can say that those are just insignificant activities
19 because the tracked activity is significant. It's significant
20 in getting the claims alive with the prior art, and
21 incorporating the game object into the game is significant. It
22 was significant in getting the claims alive over the prior art,
23 too.

24 I think that -- especially at this stage when there's no
25 evidence, I think at least the Court could look to the

1 Examiner's reasons for allowance, and that should be reason
2 alone to conclude that there are meaningful limitations here,
3 that this doesn't preempt all games or even all games as the
4 defendants have described the abstract idea.

5 **THE COURT:** All right. Who from the defense side
6 wants to start the process?

7 **MR. BARSKY:** Thank you, Your Honor, Mr. Edmonds.

8 Your Honor, let me see if I can take a step back and put
9 this into context because a lot of what the Court just heard
10 proceeding -- proceeded on an assumption that I think is
11 mistaken, and that was the answer to the Court's question about
12 whether Claims 1, 15, and 17 are all directed to video games.

13 If we look at Claims 1, 15, and 17, we're going to find
14 that they are directly to the operational management of a game
15 by a computer, but the claims do not recite and are not limited
16 to games that are performed on a computer or where the gaming
17 environment is a computer.

18 And the best evidence of that, Your Honor, is Claim 2,
19 which is a dependent claim from Claim 1 and specifies that the
20 gaming environment comprises a video game, which means as a
21 matter of law that Claim 1, the independent claim here -- and
22 this is true of 15 and 17 as well -- include but are not
23 limited to video games.

24 We can also see that, Your Honor, in the specification of
25 the patent, which is replete with references to the fact that

1 the claimed invention is directed to non-computing, partial
2 computing, and interactive computing applications, and that can
3 be found throughout the specification of the '445 patent. We
4 tried counting up the number of references to that just before
5 the hearing started. We came up with the number ten.

6 It's included in the summary of the invention on Column 2
7 at Line -- I believe that's 50 to 55 -- I'm sorry -- 50 to 55,
8 where it talks about the present invention being directed to
9 providing systems and methods used to create, integrate, and
10 transact various advantages in non-computing, partial
11 computing, and interactive computing environments.

12 **THE COURT:** And so --

13 **MR. BARSKY:** So --

14 **THE COURT:** -- the significance you draw from the fact
15 that you characterized these claims as not being confined to
16 the video game world -- what -- the significance of that is
17 what goes to the concept of preempting the field. What is it?

18 **MR. BARSKY:** Yes. Thank you, Your Honor.

19 **THE COURT:** Okay.

20 **MR. BARSKY:** It goes directly to the comments that
21 were made by Mr. Edmonds about certain steps having to be
22 carried out by the computer because what we are talking about
23 is video games. We heard that there were a number of steps
24 that, according to the plaintiff, must be carried out by the
25 computer because a person cannot control the action of a video

1 game, only the computer can do that, and there were similar
2 references to the steps of incorporating game objects into the
3 game in realtime.

4 **THE COURT:** In fact, the specification has examples
5 which are not video examples.

6 **MR. BARSKY:** Most definitely.

7 **THE COURT:** Right.

8 **MR. BARSKY:** What we -- we had in our moving papers,
9 Your Honor -- we gave an example of a charity golf
10 tournament --

11 **THE COURT:** Right.

12 **MR. BARSKY:** -- where mulligans were being sold to the
13 players. We didn't come up with that out of our -- out of our
14 own fertile creativity. That comes directly from the patent,
15 which refers to exactly the game of golf and the -- and the use
16 of mulligans to permit players to give advantages they might
17 not otherwise be entitled to.

18 So the other part of the significance, Your Honor, is that
19 it shows that each of these steps can also be carried out in
20 the real world by a person with -- as Your Honor mentioned and
21 as was referenced in the *Cybersource* decision in the Federal
22 Circuit, a person with a pad of paper and a pen.

23 Your Honor, if it would be helpful to the Court, I have
24 something I'd like to hand up and to Counsel.

25 **THE COURT:** Is that true, though, with respect to all

1 of the steps? I mean, there's some of the 12 steps that
2 contemplate a certain interactive aspect of the gaming
3 experience, and really, is it realistic to say that that could
4 be done in any fashion other than with a computer environment?
5 For example, alert, you know, the point at which the
6 opportunity to purchase while play is underway these game items
7 and all of that.

8 Can it realistically be practiced on anything but a
9 computer environment?

10 **MR. BARSKY:** Sure, it can, Your Honor. We give a
11 detailed example of that in our moving papers where we walk
12 through each of the 12 claim steps and talk about how a
13 tournament official at a golf tournament administering this
14 program of selling mulligans for charity might do so.

15 I thought Your Honor was going to say that not every one
16 of the 12 steps could be carried out in the human mind, and I
17 do agree with that because there are certain real-world
18 connections, if you will, of some of these steps such as
19 actually supplying the game object and having it incorporated
20 into the game in realtime. That can't be carried out in the --
21 in the human mind.

22 But what the jurisprudence of the Federal Circuit and the
23 Supreme Court teach us is that the question becomes, as
24 Your Honor pointed out in the *Genetic Technologies* case, do
25 these additional limitations that go beyond the abstract idea

1 or perhaps the law of nature -- do they add something
2 meaningful to the claim such that it is fair to find that the
3 filter of Section 101 has been met?

4 And what we have argued in our papers, Your Honor, and
5 what our position is here is that there is nothing in here that
6 is meaningful that would add in any way to what is at its core
7 the recitation and abstract idea in these claims.

8 And Counsel referred to *Ultramercial*, and I completely
9 agree that there is a passage in *Ultramercial* that talks about
10 exactly what one might look for if one were to ask, for
11 example, does the computer in this case that is recited by the
12 claim add something meaningful.

13 And what the *Ultramercial* court talked about -- and, of
14 course, there's a surpetition pending there, but what the
15 *Ultramercial* court talked about was when there was a specific
16 way of doing something that was recited by the complaint -- by
17 the claim or whether a specific computer was required.

18 *Ultramercial* said -- and I just want to quote -- "Claims
19 directed to nothing more than the idea of doing that thing" --
20 that abstract idea -- "on a computer are likely to face larger
21 problems. Meaningful limitations may include the computer
22 being part of the solution, being integral to the performance
23 of that method, or containing an improvement in computer
24 technology."

25 And one will look in vain in the specification of the '445

1 for any recitation of some improvement in computer technology
2 that, for example, allows game objects to be supplied to
3 players without interruption of the game. There's no reference
4 to that at all.

5 So this case is distinguishable from *Ultramercial*, which
6 the courts have recognized disclosed a -- I believe the phrase
7 was a complex and sophisticated programming that was required
8 to carry out the inventions in that case, which involved
9 solving this problem of users just clicking out of banner ads
10 and going right to the media that they wanted to watch but
11 instead programming the computer so that you had to actually
12 navigate the banner ads and review the advertisement before you
13 can get to the media or the content that you wanted to review.

14 And so here there really is no inventive concept. With
15 apologies to my colleague Mr. Edmonds, there is nothing here
16 that would take this out of the realm of simply a recitation of
17 an abstract idea. I think --

18 **THE COURT:** Can I take anything from -- I think I know
19 what you're going to say to this, but the fact that the -- that
20 it was a long process of back-and-forth in the PTO and there
21 was obviously significant scrutiny applied by the Patent
22 Examiner and it finally resulted in the issuance of the
23 patent -- can I take that into account?

24 In other words, not simply the patent issues. We issue --
25 we all know that, and we all know there's a presumption of

1 validity, but the patent history here that was extended -- and
2 there was some particular focus on some of these concerns.

3 **MR. BARSKY:** Yes, Your Honor.

4 I don't think there is anything that would preclude the
5 Court from taking that into account, but I would simply point
6 out that in the *Dealertrack* case, there was a nine-year file
7 history where the Federal Circuit found that the claims did not
8 pass the Section 101 muster.

9 In the *OIP Technologies* case in this court, Your Honor,
10 that case involved an 11-year file history. That was, of
11 course, a motion to dismiss, ultimately affirmed that opinion
12 by the Federal Circuit.

13 And so the answer is yes, the Court can take that into
14 account, but no, I don't think that should change the calculus
15 at all for our purposes today.

16 **THE COURT:** How about the preemptive field concept,
17 which Mr. Edmonds spent a good deal of time on --

18 **MR. BARSKY:** Yes.

19 **THE COURT:** -- and in the papers they focus on? Why
20 don't you address that for me.

21 **MR. BARSKY:** Sure.

22 That is one of the guideposts that the Supreme Court has
23 provided because what it has not provided -- and it's unclear
24 whether after *CLS Bank* it will provide real guidance to the
25 District Courts, but certainly one of the guideposts that's out

1 there that the Court could look to is the scope of preemption.

2 And we know for certain that complete preemption of the
3 field is not required, and we know that because, for example,
4 in *Bilski*, the claims were directed both to the basic concept
5 of hedging risks and price fluctuations -- and that was in the
6 independent claim -- as well as hedging risks and avoiding
7 price fluctuations in discrete segments of the economy, most
8 notably the energy sector, and neither of those claims -- none
9 of those claims passed Section 101 muster.

10 In *Dealertrack*, the claims were limited to the use of a
11 loan processing in the -- in the car loan market, if you will.
12 And in *Banc* -- I'm sorry? I'm sorry?

13 **THE COURT:** No. No. I didn't say anything.

14 **MR. BARSKY:** Oh. I'm sorry.

15 And so in *Bancorp*, which is cited in our briefs, it
16 explicitly -- it explicitly -- the Federal Circuit explicitly
17 rejected the notion that you can salvage an otherwise
18 unpatentable abstract idea by limiting it to some segment of
19 the economy or some particular field or, highly relevant to
20 this case, adding insignificant limitations, what were
21 called -- what the courts called predictable pre-solution or
22 post-solution activities.

23 And so I don't think the fact that we are talking about
24 games in general or video games in particular -- and that's
25 only in some of the dependent claims -- should change the

1 result here any more than it changed the result in *Bilski* or
2 *Dealertrack*.

3 **THE COURT:** Okay. Thank you.

4 Mr. Moore, is there anything you want to add to your -- to
5 that --

6 **MR. MOORE:** No, Your Honor.

7 **THE COURT:** -- defense side?

8 **MR. MOORE:** We join in Mr. Barsky's arguments in full.

9 **THE COURT:** Mr. Edmonds, do you have anything further?

10 **MR. EDMONDS:** Just some comments on what -- on what
11 defense counsel mentioned, Mr. Barsky.

12 In respect to the issue of video game, our view is that
13 this has to be a video game because you're just -- you have to
14 display something in the game environment, and you have to
15 incorporate the game object in the game environment. The only
16 way that can logically be done is with a video game.

17 Even if the Court doesn't find that that's not -- I heard
18 Counsel say that that was somehow the linchpin of our position,
19 and if that fell, then everything else fell. That's -- it's
20 not. I think our position is still strong even if the Court
21 decided video game is not required because the question about a
22 computer is whether the computer is necessary to effectuate the
23 invention, not whether it's a video game, is that the ultimate
24 question for the Court.

25 Secondly, Claim 2 was pointed to as somehow establishing

1 as a matter of law that a video -- Claim 1 must be broader than
2 a video game. When you look at Claim 2, that's -- it was an
3 oversimplification of the claim. It says "comprised of a video
4 game that generates a series of background images and at least
5 one selected game object as directed to act in accordance with
6 the gaming action of a user," et cetera, et cetera. There are
7 more limitations to it.

8 So it's not a situation where you have a limitation --

9 **THE COURT:** So it's not Claim 2 is the video claim and
10 Claim 1 therefore must be broader than video?

11 **MR. EDMONDS:** Right. It's not -- it's not that
12 simple. It's the claim.

13 **THE COURT:** Okay.

14 **MR. EDMONDS:** It has further limitations. So you
15 can't draw that conclusion.

16 In addition, I think it points out certainly an issue. I
17 certainly read their motion as directed to Claim 1 and -- fair
18 enough -- 15 and 17. You know, if -- to the extent you're
19 going to rule on this and if you do rule against us, I think
20 you still need to look at, for example, Claims 2 and 3, which
21 clearly, I think, indisputably would be drawn to video game if
22 the Court thinks that distinction is significant.

23 We certainly think that a video game certainly bolsters
24 the notion that this can't be done by hand and head and a
25 computer is necessary to effectuate the invention, and in

1 particular, Claim 2 does comprise of video game and other
2 things.

3 Claim 3 comprises a plurality of player images and
4 background images, and Claim 4 also has where you have
5 background images selected from a group comprising various
6 things. So I think it would be hard to dispute that those at
7 least aren't drawn to a video game.

8 As to the other points made, in terms of the spec -- and
9 maybe ten times in the spec it talked about you didn't need a
10 computer or have it partially computerized. I think it goes to
11 the Court's question of "What significance should I attach to
12 the prosecution history?" And the fact of the matter is -- and
13 I think it's really not reasonably disputable -- that there was
14 a broad disclosure in the specification of various things.

15 The patentee initially tried to claim those things. He
16 was unsuccessful, and the claims were narrowed, and I think
17 that all the case law points the Court squarely to you need to
18 look at the claims in terms of the 101 analysis and not to
19 unclaimed subject matter in the specification that somebody
20 tried to claim early in the prosecution, was unsuccessful in
21 claiming it because it was too broad or because -- even if the
22 Court --

23 **THE COURT:** So the golf analogy I can ignore because
24 the final claims were narrowed?

25 **MR. EDMONDS:** Absolutely narrowed, right. Right.

1 So these ideas that the patentee had about things like
2 golf and traffic tickets -- they're just simply -- ultimately
3 did not make the final claims, and so the claims would be --
4 would be viewed in terms of what the claim language is.

5 There was a statement that it's just not an improvement in
6 computer technology. You know, I think, again, the Court asked
7 the question "What significance should I attach to the
8 prosecution history?" because it's a limited record before the
9 Court. We're on a motion to dismiss.

10 Again, the prior art of record and the reasons for
11 allowance expressed by the Examiner express the Examiner's view
12 that it's an improvement on technology. It's not -- if this
13 was one where you had a first office action allowance, we
14 didn't have any guidance from the PTO, no prior art was cited,
15 and the Court's just left in a vacuum, you say, you know, "I
16 don't know what the" -- "what the technology was. I don't know
17 whether it's an improvement or not."

18 But here there's some very explicit statements as to what
19 the state of the art was and how this is an improvement in that
20 technology as the applicant successfully argued and convinced
21 the Examiner as expressed in the notice of allowance.

22 Lastly, there was a question about preemption. I'll point
23 out in their reply brief they made an argument that -- that
24 preemption doesn't really mean preemption, it just means --
25 "mostly preempt" is how I paraphrase it.

1 I don't think that's what the case law requires. I think
2 what the case law says -- and maybe there's quoting some dicta
3 in *Mayo* or what have you, but elsewhere in *Mayo* and every other
4 case I've seen, it says does the abstract -- does the claim
5 preempt all applications of the abstract idea.

6 And I think the Court, as we've had this discussion, has
7 focused on that, and I think that's a proper -- one of the
8 areas the Court really should focus on because as we pointed
9 out here today and also in our briefing, there are many
10 applications of -- of a game and many applications of a game in
11 which a purchase is made and many applications of a game even
12 when a purchase is made without interrupting it that you can
13 have that are not preempted by these claims because of these
14 other limitations.

15 **THE COURT:** Well, I think Mr. Barsky's point was when
16 you're looking at the scope of preemption, the case law stands
17 for the proposition that it does not have to be complete
18 preemption. In other words, you know, you don't -- you -- in
19 the absence of complete preemption, that doesn't get you out
20 from under necessarily.

21 **MR. EDMONDS:** I think what the argument as I interpret
22 it was -- for example, if I -- if I patented an algorithm and I
23 limit it to a field of use of vulcanizing rubber, I can say,
24 "Well, gee, I haven't preempted this algorithm. You can use it
25 for whatever you want as long as you're not vulcanizing

1 rubber."

2 **THE COURT:** Right.

3 **MR. EDMONDS:** That's different here in the sense that
4 this is something that's clearly applied to games. We're
5 talking about games. The prior art has to do with games, the
6 claims have to do with games, and the question for the Court is
7 the abstract idea as you articulate it -- if you articulate it
8 that way, does that preempt the applications of it? And it
9 does not.

10 And that's different than the field of use limitation in
11 gaming. That has to do with the look to the other claim
12 limitations which provide meaningful limitations beyond the
13 abstract idea, which we respectfully submit are there.

14 **THE COURT:** Very well.

15 Anything further?

16 **MR. BARSKY:** Very briefly, Your Honor.

17 **THE COURT:** Okay.

18 **MR. BARSKY:** First, I just want to make clear that
19 it's not our argument that Claim 1, 15, and 17 would read on a
20 golf game in the real world without a computer. Clearly, it
21 wouldn't because each of those claims requires the use of a
22 computer to manage the game.

23 Our point was really in response to what is clearly the
24 jurisprudence of the Federal Circuit that when looking at a
25 claim that somehow the addition of a computer-aided process or

1 a computer-implemented process salvages an otherwise abstract
2 idea from Section 101 ineligibility, that you take away the
3 computer and look at what's left.

4 And that was -- that is our point with respect to the golf
5 example and the mulligan example in our papers. That's Number
6 1.

7 Second, with respect to the scope of Claims 1 and 2 --

8 **THE COURT:** Right.

9 **MR. BARSKY:** -- Mr. Edmonds is certainly right that
10 there's more in Claim 2 as far as additional limitations than
11 simply the addition of the game environment comprising a video
12 game, but what Claim 2 clearly says is that the gaming
13 environment comprises a video game and goes on to characterize
14 that video game.

15 If the gaming environment of Claim 1 comprised a video
16 game or was a video game, then it would be superfluous to say
17 that in Claim 2. And of course, as Your Honor knows from the
18 rules of claim construction, we don't read claims in such a way
19 as to render claim terms superfluous.

20 So unless the Court has any questions at this point, I'll
21 just thank the Court for its time.

22 **THE COURT:** Very well. Thank you.

23 I will take the matter under submission and review the
24 arguments and get you an order.

25 **MR. BARSKY:** Thank you, Your Honor.

1 **THE COURT:** Thank you.

2 (Proceedings adjourned at 2:21 p.m.)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

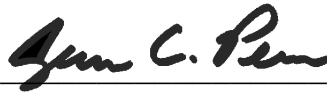
24

25

CERTIFICATE OF REPORTER

I certify that the foregoing is a correct transcript
from the record of proceedings in the above-entitled matter.

DATE: Monday, May 5, 2014

A handwritten signature in black ink, reading "James C. Pence", is written over a horizontal line.

James C. Pence, RMR, CRR, CSR No. 13059
U.S. Court Reporter